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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 001872

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STATE FOR EAP/RSP/TC, STATE PASS USTR FOR DEPUTY USTR
BHATIA FROM DIRECTOR YOUNG

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SUBJECT: TAIWAN TIFA: SESSION 7: TELECOMMUNICATIONS

REF: TAIPEI 1727

Classified By: AIT Deputy Director David J. Keegan, Reason 1.4 b

¶1. (C) Summary. During the Taiwan TIFA talks session 7, the U.S. and Taiwan focused on discussing the recently established National Communications Commission (NCC) and pricing issues. Both sides agreed to work together to strengthen the NCC. End Summary

¶2. (C) AUSTR Stratford led the U.S. delegation to the meeting while Vivien Wang spoke for Taiwan's NCC. Stratford opened the session by observing the overall positive feeling of cooperation, shared interests, and commitment to strengthening bilateral trade relations between the U.S. and Taiwan.

Market Access: Taiwan's NCC Working on the Issue

¶3. (C) DOC Brenda Carter-Nixon inquired whether or not any progress has been made on the "last-mile" infrastructure issue for end users. Taiwan NCC's Vivien Wang acknowledged that the ChungHwa Telecom's (CHT) control of the last-mile infrastructure is one of the NCC's "priority issues." Wang indicated that the NCC's 2006 Annual Plan has a specific work plan to promote competition. She also mentioned that the NCC plans to announce that CHT needs to make changes to their last-mile infrastructure. Wang said that by the end of this year, CHT needs to open up their "exchange room to competitors" and also open "one cable-ending station to competitors." Wang also indicated that CHT needs to "offer a wholesale price to competitors on their network element," and confirmed that CHT continues to delay on revisions of the last-mile infrastructure.

¶4. (C) Carter-Nixon then asked what the NCC's views are on fixed-line licensing. Wang responded by indicating that the NCC will accept applications twice per year, once in March and once in September.

Taiwan's NCC: Working to Improve Their Own Capabilities

¶5. (C) Finally, Carter-Nixon asked if the NCC would be willing to establish a relationship with the U.S. Federal Communications Commission (FCC). Wang said that although the NCC is still in the "infant stage", they would like to consult with their counterparts in the U.S. and the UK. Wang said that in 2004, during the NCC's preparatory phase, the FCC's Legal Advisor was invited to Taiwan for two days of talks. In October or November 2005, Wang said that the NCC attempted to invite the FCC Commissioners to Taiwan. Wang expressed her hopes that the USTR can help the NCC finalize this arrangement. Carter-Nixon responded by agreeing that an

opportunity for training would be beneficial for the NCC. Wang of the NCC suggested that it would be helpful if the FCC Chairman could extend an invitation to the NCC Chairman for a visit to the U.S. and that subsequent training or roundtable discussions would be very helpful. Francis Liang from TECRO seconded her suggestion and said that the NCC needs to be "educated" and "better understand the telecommunications industry."

Cable Television Issues: NCC and AIT can work together

¶16. (C) Nixon-Carter opened the discussion by indicating the NCC should change the regulation that prohibits pay-per-view channels. The NCC asserts that they have already addressed this issue in their 2006 Annual Report. However, they asked their U.S. counterparts for time to clarify this issue and follow up with them at a later date.

¶17. (C) The U.S. side requested that the NCC talk directly with AIT about the tiered pricing issue within a month. NCC Vivien Wang also asked that AIT follow up with the NCC on this issue. The U.S. side repeated issues regarding cable television which include 1) tiered pricing 2) micro-management 3) interest in having more foreign direct investment and possibly 100% foreign ownership.

¶18. (C) The NCC stated the cable television issue involves "many dimensions", including the issue of "viewer's rights". Wang stated that since March of 2006, the NCC has worked on a plan to deal with the cable television issue. Wang asserts that this plan addresses and balances four aspects: 1) maintaining consumer rights; 2) providing for sound, healthy

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markets; 3) diversification; and 4) protecting the rights of disadvantaged groups. Wang indicated that the NCC will use these four indicators to assess changes to the packaging of programming.

¶19. (C) The U.S. side responded by requesting additional discussion on the specific time-line regarding the NCC's plans. Wang indicated that the NCC's Annual Report will be released next month and that the NCC plans on holding a press conference on May 30 to announce the release of this report. The U.S. side indicated that they are very interested to see the details of the NCC report and will forward any follow up questions to the NCC.

¶10. (C) Francis Liang of TECRO and moderator of the Taiwan side closed the session by acknowledging that many of the U.S. questions may not have been adequately answered by the NCC. However, he highlighted the importance of continued dialogue after the TIFA talks are completed.

¶11. (C) Comment: Taiwan and the U.S. agreed on the complexity of services issues. The fact that all of the U.S. questions were directed at the NCC panel member highlighted the importance of the NCC and the critical need for the NCC to strengthen its own capabilities in order to be able to solve the complex issues of market access and cable television. End comment.

¶12. (U) This cable was reviewed by USTR prior to transmission.

YOUNG